

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 IO-13 ISO-00 NEA-10

INT-05 GSA-01 ITC-01 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-01 PRS-01 PA-01 /137 W

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P R 101850Z DEC 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8646

INFO AMEMBASSY LA PAZ PRIORITY

AMEMBASSY JAKARTA

AMEMBASSY LAGOS

AMEMBASSY KINSHASA

AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

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USMISSION OECD PARIS

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AMEMBASSY BONN

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ETRD, ITC

SUBJECT: TIN - ITC SECOND SESSION

1. SUMMARY: THE SECOND HALF OF THE SECOND SESSITN OF THE INTERNATIONAL TIN COUNCIL (ITC) UNDER THE NEW FIFTH INTERNATIONAL TIN AGREEMENT (ITA) ENDED LATE DECEMBER 9, WITH AGREEMENT ON A NEW PRICE RANGE. THE NEW RANGE, M\$1U75 PER PIKUL TO M\$1325, WA.S A COMPROMISE WORKED OUT IN FOUR DAYS OF INTENSE DEBATE. AS PART OF THE COMPROMISE PACKAGE, INDONESIA SPEAKING FO THE PRODUCE GROUP, RECOGNIZED CONSUHE CONCERN THAT INVESTMENT AND
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PRODUCTION BE INCREASEE AND GAVE ASSURANCES THAT A

REQUEST FOR A FURTHER UPWARD REVISION WOULD NOT BE LIKELY FOR SOME TIME. THE U.S. VOTED AGAINST THE COMPROMISE; THE FRG ABSTAINED; BOLIVIA, POINTEDLY, WAS ABSENT. PROPOSAL CARRIED WITH THE AFFIRMATIVE VOTE OF ALL OTHERS PRESENT AND VOTING. END SUMMARY.

2. THE RESUMED SECOND SESSION OF THE INTERNATIONAL TIN COUNCIL AEJOURNEE LATE DECEMBER 9, WITH AGREEMENT ON A COMPROMISE PROPTSA FOR INCREASING PRICE RANGES AT THE FLOTR, FRTM M31000 PER PIKUL TT M\$1075, AND AT THE CEILING, FROM M\$1200 TO M3L325. INTEMEDIATE INTE-PENTION POINTS FOR BUFFER STOCK OPERATIONS WERE SET AT M\$115U AND M\$1250, RESPECTIVELY, THEREBY CREATING "MAY BUY" AND "MAY SELL" SECTORS OF M\$75 EACH, AND A CENTRAL, NEUTRAL, ZONE WITHIN THE RANGE (WHERE BUFFER STOCK MAY NOT OPERATE) OF M\$1UU. THE AUTHORITY GRANTED LAST JULY TO THE BUFFER STOCK MANAGER TO BOTH BUY AND SELL WHEN PRICES ARE ABOVE THE CEILINL, WAS RESCINDED.

3. THE MEETING WAS CHARACTERIZED MORE BY CAUCUSES OF PRODUCER AND CONSUMER GROUPS THAN BY PLENARY SESSIONS. BUSINESS OTHER THAN THE PRICE ANGE ISSUE WAS QUICKLYPUT TO EST TO ENA BLE CONSIDERATION OF THE KEY PRICE ISSUE. THERE WAS LITTLE DEBATE IN THE PLENARY ON THE ECONOMIC MEIT OF THE PRTEUCER DEMANE FTR A PRICE RANGE INCREASE (THE BOLIVIAN PROPOSAL, M\$1150 TO M\$1430 PER PIKUL). WITHIN THE CONSUMER CAUCUS, IN FACT, IT WAS QUICKLY AGREED THAT THE DECISION SHOULD BE MADE ON POLITICAL GOUNDS IN CONSIDERATION OF "GOODWILL", I.E., THAT MAJOR CONSIDATION SHTULE ZE TT OBTAIN PRODUCER ACQUIESCENCE AT THE LOWEST POSSIBLE COST IN TERMS OF M\$ PER PIKUL INCREASE. THE U.S. CONTENTION THAT THERE WAS LITTLE JUSTIFICATION ON ECONOMIC GROUNDS FOR AN INCREASE AT THIS TIME WAS CONSIDERED LARGELY IRRELEVANT.

4. IN ADDITION TO THE ORIGINAL PRODUCER PROPOSAL AND THE EVENTUAL COMPROMISE, TWO OTHER PROPOSALS SURFACED. THE FIRST WAS A CONSUMER PROPOSAL FOR A M\$1050 - M\$1300 RANGE. THIS WAS THE EXTREME CONCESSION POSSIBLE FOR THE LIMITED OFFICIAL USE

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U.S. THE PROPOSAL WAS REJECTED, HOWEVER, WITHOUT VOTE.

5. A PROPOSAL WAS MADE BY THE NETHERLANDS DELEGATION, FOR A RANGE OF M\$1100 - M\$1350. ALTHOUGH THIS CLEARLY DID NOT HAVE THE CONSUMER GROUP BACKING, THE NETHERLANDS, SECONDED BY BOLIVIA, REQUESTED A VOTE. THE MOTION FAILED. IT IS IMPORTANT TO NOTE THAT THIS WAS THE FIRST OF THE TWO FORMAL VOTES TAKEN DURING THE MEETING, AND

THE FIRST FTRMAL VOTE IN THE ITC IN MANY YEARS.
FOLLOWING THE VOTE, THE PLENARY ENDED, WITH EACH GROUP
AGAIN CAUCUSING. THE BOLIVIAN DELEGATION AT THIS POINT
LEFT THE MEETING, REFUSING TO RETURN TO THE MEETING
UNTIL THE PRICE RANGE QUESTION HAD BEEN SETTLED.

6. AFTER PROTRACTED DISCUSSIONS IN CAUCUS AND BETWEEN
THE GROUPS VI' EMISSARIES, THE COMPROMISE WAS
WORKED OUT (BUT, OF CTURSE, WITHTUT THE
ACQUIESCENCE OF EITHER THE U.S. OR THE BOLIVIAN

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DELEGATIONS). SUBSEQUENTLY, IN PLENARY, THE COMPROMISE FORMULA WAS OFFERED BY CANADA. AT THE REQUEST OF THE U.S.DEL, SECONDED BY THE FRG, THE MOTION WAS PUT TO VOTE. THE MOTION WAS CARRIED WITH THE SOLE NEGATIVE VOTES OF THE U.S., WHICH HAS 284 VOTES, AND THE ABSTENTION OF THE FRG, WITH 82 VOTES, FOLLOWING ASSURANCES BY PRODUCERS TO THE EFFECT THAT THE PRICE RANGE ISSUE WOULD NOT BE BROUGHT UP AGAIN, EXCEPT IN EXCEPTIONAL CIRCUMSTANCES, AT LEAST UNTIL AFTER THE SPRING MEETING OF THE COUNCIL AND THAT PRODUCERS WOULD LIMITED OFFICIAL USE

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ATTEMPT TO "QUANTIFY" MEASURES TAKEN TO INCREASE INVESTMENT AND PRODUCTION. FOLLOWING THE VOTE, BOLIVIA THEN RETURNED TO THE ROOM TO READ A STATEMENT PLACING ON RECORD ITS VIEW, INTER ALIA, THAT THE COMPROMISE WOULD NOT PROVIDE INCENTIVES FOR INCREASED INVESTMENT. BOLIVIA WARNED THAT BY FAILING TO AGREE ON A SUFFICIENTLY HIGH MINIMUM PRICE LEVEL THE FUTURE OF THE ITA WAS PLACED AT RISK.

7. THE MOST NOTABLE FEATURE OF THE MEETING WAS THE DISSARRAY IN WHICH THE CONSUMERS FOUND THEMSELVES. MOST CONSUMERS SEEMED TO AGREE WITH THE U.S. ON ECONOMIC GROUNDS. NEVERTHELESS, INSTRUCTIONS SEEMED TO VARY FROM THOSE OF THE NETHERLANDS AND FRANCE -- LITTLE MORE THAN FRONTS FOR THE KNOWN PRODUCER FALL BACK POSITION -- TO OTHERS WHO WERE TOLD TO GIVE THE LEAST POSSIBLE BUT TO COME HOME WITH A COMPROMISE. IN THIS SITUATION, JAPAN AND THE FRG, AFTER GREAT AGONIZING, IN THE END COULD NOT SUPPORT US.

8. COMMENT: WHILE THE U.S. POSITION ON THE INCREASE WAS NOT SUSTAINED, THE IMPORTANT POINT IS THAT THE U.S. SHOWED DETERMINATION TO STAND FIRM ON A MATTER OF PRINCIPLE. OUR NATURAL ALLIES, CONSUMERS SUCH AS THE U.K., JAPAN AND THE FRG, WERE UNWILLING TO GO ALONG WITH US; HOWEVER, IT IS TO BE HOPED THAT SOME STIFFENING HAS BEEN PROVIDED FOR THE FUTURE.

9. CONCERNING THE BOLIVIAN POSITION, PROTESTATIONS TO THE CONTRARY, BOLIVIA SEEMS TO HAVE GOTTEN MOST OF WHAT IT SET OUT TO ACHIEVE. THEY WILL COMPLAIN, BUT WILL EARN LITTLE SYMPATHY FROM OTHER PRODUCERS OR CONSUMERS. THE QUESTION OF WHETHER THEY WILL RATIFY THE AGREEMENT OR LET THE COUNCIL DRIFT TOWARD CONSTITUTIONAL CRISIS BY NOT RATIFYING WAS LEFT UNANSWERED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TIN, INTERNATIONAL ORGANIZATIONS, MEETING REPORTS, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON20042
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760457-0274
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761255/aaaabuxx.tel
Line Count: 224
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by ShawDG>; APPROVED <06 AUG 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TIN - ITC SECOND SESSION
TAGS: ETRD, ITC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006